



**REPORT OF THE
STANDING COMMITTEE ON THE
ALBERTA HERITAGE SAVINGS TRUST FUND ACT**

March 1991



LEGISLATIVE ASSEMBLY OF ALBERTA





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ALBERTA

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To the Honourable Dr. David J. Carter
Speaker of the Legislative Assembly
of the Province of Alberta

The Standing Committee on the Alberta Heritage Savings Trust Fund Act has the honour to submit its report relating to the 1989-90 fiscal year for consideration by the Legislative Assembly.

A handwritten signature in cursive script, reading "J. W. Ady".

Jack Ady, M.L.A.
Chairman
Standing Committee on the
Alberta Heritage Savings Trust Fund Act

**MEMBERS OF THE
STANDING COMMITTEE ON THE
ALBERTA HERITAGE SAVINGS TRUST FUND ACT**

1990/91

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I. INTRODUCTION

This report of the Standing Committee on the Alberta Heritage Savings Trust Fund Act contains the consensus of the members of the Standing Committee. It must be noted that the democratic principle of decision making was followed throughout the Committee's proceedings and, of 45 recommendations put forward, all were voted on, and those passed are contained herein. These votes are recorded in the minutes of the Standing Committee, which are on file in the Legislature Library where they may be read by any member of the public.

As all the proceedings of the Standing Committee were and are open to the public, this report contains only a brief summary of the highlights of the Committee's meetings. All meetings were recorded by Alberta Hansard, and transcripts are available in the Legislature Library. Any person wishing more detail should refer to the transcripts, which number 336 pages in length and are organized according to subject heading. The minutes are organized in similar fashion.

II. ALBERTA HERITAGE SAVINGS TRUST FUND ACT

On May 19, 1976, the Alberta Heritage Savings Trust Fund was established by an Act of the Legislative Assembly of Alberta. The reasons for and purposes of the Heritage Fund were set out in the preamble to the Alberta Heritage Savings Trust Fund Act:

WHEREAS substantial revenue is being received by the Government from the sale of non-renewable resources owned by the people of Alberta; and

WHEREAS there is a limited supply of non-renewable resources and therefore revenue from the sale of those resources will ultimately be reduced; and

WHEREAS it would be improvident to spend all that revenue as it is received; and

WHEREAS the Legislature of Alberta considers it appropriate that a substantial portion of that revenue be set aside and invested for the benefit of the people of Alberta in future years:

THEREFORE HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Alberta, enacts as follows:

The Act, and subsequent amendments to it, set out the sources of funds and how these funds may be invested. Five distinct investment divisions of the Heritage Fund are defined, each with different aims and investment criteria. The Act also outlines the powers of the Heritage Savings Trust Fund Investment Committee and the Provincial Treasurer to make investments under each division. The Investment Committee consists of all members of the Executive Council.

It is the responsibility of the Provincial Treasurer, as soon as practicable after the end of each fiscal year, to prepare a report summarizing the operation of the Heritage Fund during the preceding fiscal year and containing a financial statement, audited by the Auditor General, showing:

1. transfers of cash and other assets to the Heritage Fund during the preceding fiscal year,
2. payments from and income to the Heritage Fund for the preceding fiscal year, and
3. total moneys expended under Acts of the Legislature referred to in respect of investments in the Capital Projects Division of the Heritage Fund.

When the report is completed, the Provincial Treasurer makes copies available to all Members of the Legislative Assembly and to the Clerk of the Legislative Assembly. The report is then made public. The Alberta Heritage Savings Trust Fund 1989-90 Annual Report was made public on October 10, 1990.

III. ROLE OF THE STANDING COMMITTEE ON THE ALBERTA HERITAGE SAVINGS TRUST FUND ACT

The Act provides for the establishment of a Standing Committee of the Legislative Assembly, called the Standing Committee on the Alberta Heritage Savings Trust Fund Act. The Standing Committee is made up of Members of the Legislative Assembly who are appointed at the commencement of each Session.

When the annual report of the Heritage Fund is made public, it is deemed to be referred to the Standing Committee for review and subsequent report to the Legislative Assembly concerning the investments of the Heritage Fund. The report may contain any recommendations of the Standing Committee concerning those investments or proposed alternative investments.

Between October 10 and November 1, 1990, the Standing Committee met with Ministers of the departments directly involved in Heritage Fund investments during the preceding fiscal year, and with the Premier, Auditor General and Alberta Heritage Foundation for Medical Research as well. The Standing Committee also met between November 13 and 15, 1990, to discuss the recommendations it would approve. At the conclusion of these meetings this report was written, to be tabled in the Legislative Assembly as required by the Alberta Heritage Savings Trust Fund Act.

The Standing Committee has made every attempt to fulfill its duties as required by the Standing Orders of the Legislative Assembly of Alberta.

IV. AMENDMENTS TO THE ALBERTA HERITAGE SAVINGS TRUST FUND ACT

From 1976 to 1982-83, the Heritage Fund derived its funds from two sources:

1. an annual transfer of 30 percent of the Province's non-renewable resource revenues, and
2. the retention of its investment earnings.

The transfer of resource revenues requires annual authorization by the Legislature through the passage of a special appropriation Act.

In March, 1983, two significant amendments were made to the Alberta Heritage Savings Trust Fund Act. The first amendment broadened the transfer provisions to allow the proportion of non-renewable resource revenue to be specified in the annual special appropriation Act. Previously, these Acts had to provide for 30 percent of such revenues to be transferred. During the 1983 spring sittings, the Legislative Assembly passed a special Act authorizing the transfer to the Heritage Fund of 15 percent of the non-renewable resource revenue received by the Province in 1983-84.

The second amendment allocated the Heritage Fund's net investment income to the General Revenue Fund for a two-year period beginning September 1, 1982.

The Act was further amended in 1984 to continue the transfer of its net investment income.

Effective April 1, 1987, the non-renewable resource revenue transfer was suspended, as part of the Government's medium-term strategy to reduce the budgetary deficit to zero.

V. REVIEW OF INVESTMENTS, APPEARANCE OF THE PREMIER, PROVINCIAL TREASURER, SELECTED MINISTERS, THE AUDITOR GENERAL AND OTHERS

This section of the report contains a brief review of the meetings held by the Standing Committee with the Premier, Provincial Treasurer, selected Ministers, the Auditor General and representatives from the Alberta Heritage Foundation for Medical Research.

The review follows the chronological order of investigative visits and appearance of witnesses before the Standing Committee from September 12 to November 1, 1990.

Investigative Visit to Millar Western Pulp Mill - September 12, 1990

On Wednesday, September 12, 1990, Committee members visited the Millar Western Pulp Mill in Whitecourt.

Investigative Visit to Southern Irrigation Districts - September 13-14, 1990

On Thursday, September 13 and Friday, September 14, 1990, the members visited the Southern Irrigation Districts near Lethbridge.

Investigative Visit to Syncrude Site and AOSTRA Underground Test Facility - September 19-20, 1990

On Wednesday, September 19 and Thursday, September 20, 1990, Committee members visited the Syncrude site and the Alberta Oil Sands Technology and Research Authority underground test facility near Fort McMurray.

Provincial Treasurer - October 10, 1990

The Hon. Dick Johnston was the first to come before the Committee. With the Treasurer was Mr. Allister McPherson, Deputy Provincial Treasurer. The Provincial Treasurer is responsible for the overall administration of the Fund, as well as the day-to-day investments under the Commercial Investment Division and Cash and Marketable Securities. The Hon. Mr. Johnston gave some opening comments about the current status of the Fund.

The Treasurer responded to questions from the Committee members concerning figures in the 1989-90 Annual Report which showed a decline in terms of real economic growth, the method of accounting to determine the real value of the Alberta Crown corporations and the result to the Heritage Fund of fluctuating crude and conventional oil prices.

Further questions were asked concerning: the financing of Alberta Opportunity Company through repayable advances from the General Revenue Fund; how proceeds from Telus shares would be distributed; the Heritage Savings Trust Fund investment in Syncrude; how investments in projects such as the OSLO project, Nova, Millar Western Pulp Mill Ltd, the Lloydminster Bi-Provincial Upgrader and Syncrude fulfilled the stated objective of diversifying the economy; and the details related to the Heritage Fund loan to Millar Western Pulp Ltd. and the management of that debenture.

In addition, several topics concerning the Fund's investments were raised: the implications for the Fund if its mandate were changed to focus on a maximization of return from investments; comparing the rate of return from the Fund on its investments to the overall rate of interest being paid; and if Alberta should pursue an investment strategy such as that of the Alaska Permanent Fund, in order to maintain the capital of the Heritage Fund for the long term.

Auditor General - October 10, 1990

Mr. Donald Salmon, the Auditor General, attended this meeting, along with Mr. Jim Hub, the Assistant Auditor General, and Mr. Ken Hoffman, Senior Director of Audits. Mr. Salmon commented briefly on several items contained in the 1989-90 Annual Report of the Provincial Treasurer and in the 1989-90 Report of the Auditor General.

One of the main topics of discussion was the debentures of the Fund and the handling of them: the Trust Fund's loans to Millar Western Pulp Mill, and the debentures in and sale of the Alberta Mortgage and Housing Corporation (AMHC). The real value of the AMHC and the unfunded AMHC operating deficit were also reviewed.

Deemed assets were also discussed extensively. The Auditor General was asked to explain this procedure, and to discuss the real value of investments such as the Alberta Heritage Scholarship Fund, the Alberta Heritage Foundation for Medical Research and the Alberta Heritage Learning Resources. The reason for recording earnings from Crown corporations as deemed assets was also asked of Mr. Salmon, as well as whether an appraisal could be done as to the current value of deemed assets such as the Walter C. Mackenzie Health Sciences Centre or Kananaskis, and whether a value-for-money audit of the Heritage Fund had been undertaken. The Auditor General was asked whether he was comfortable using the \$12 billion figure as the value of the assets of the Fund.

Other topics discussed included: whether Ridley Grain Ltd. had made any payments on its Heritage Fund loan, the write-down of over \$8 million in investments; the criteria for writing-down investments, how par values under Canada Investment Division and the Commercial Investment Division are determined, and the terms of outstanding loans owed by other provinces to the Heritage Fund.

Minister of the Environment - October 11, 1990

The Hon. Ralph Klein, Minister of the Environment, attended the meeting with Mr. Vance MacNichol, Deputy Minister of the Environment; Mr. Bill Simon, Assistant Deputy Minister, Finance and Administration Services; and Mr. John Campbell, Acting Director, Development and Operations Division. The Minister made several opening comments concerning the current status of Environment's active projects, specifically the irrigation headworks and systems improvement program and the land reclamation program.

The Minister then responded to questions from the Committee, largely in reference to the land reclamation program. Topics included: the number of land reclamation projects left; the possibility of a switch in direction toward a waste management program; the cost of sewage lagoon reclamation; the cooperation of local governments in site reclamation; the possible reclamation of wetlands under this program; the cleanup of orphaned well-sites; federal cost-sharing of some reclamation projects; uses of reclaimed sites; reclamation of mine sites; location distribution of reclaimed sites; and the status of research projects into improving land reclamation methods.

The irrigation headworks projects were also discussed at length. Nearly \$37 million was spent on this project in 1989-90. The Minister and his advisors responded to questions concerning the agricultural feasibility of irrigated land; alternative options to passing irrigation works through the Peigan Reserve; forestation around the irrigation headworks; protection of pickerel stock in reservoirs; possible transfer of irrigation to Public Works, Supply and Services; multiuse plan for water management projects; and the possibility of establishing a groundwater inventory.

The Minister also addressed the issues of possibly using Trust Fund monies to help municipalities develop environmentally safe landfill sites, or to establish a multifaceted recycling program and environmental investment division.

Minister of Municipal Affairs - October 16, 1990

The Hon. Ray Speaker, Minister of Municipal Affairs, was joined by the Deputy Minister of Municipal Affairs, Mr. Archie Grover; Ms. Mary Cameron, President, Alberta Mortgage and Housing Corporation; Mr. Stephen Kent, Vice-President, Alberta Mortgage and Housing Corporation; Ms. Joan McCracken, Communications Director, Alberta Mortgage and Housing Corporation; and Ms. Donna Mastel, Executive Assistant to the Minister.

The Department of Municipal Affairs is responsible for the Alberta Mortgage and Housing Corporation (AMHC), in which the Heritage Savings and Trust Fund holds \$2.9 billion in debentures. The changes in AMHC's structure and function were first addressed by the Minister, who then responded to questions from Committee members.

Members asked questions concerning the sale of the AMHC portfolios, and the \$606 million unfunded deficit of the AMHC in the context of the sale of these assets and the subsequent impact on the provincial debt. The interest payable to the Heritage Trust Fund from AMHC debentures and the payment structure were also discussed.

The definition of special/social needs housing; the criteria for prioritizing housing needs; the timetable for the sale of all non-social housing needs portfolios; the coordination with social services on these assessments and the status of federal cost-sharing of some special-needs housing projects; the relationships with other housing agencies in terms of independence and monitoring of activities were also reviewed.

Under the special needs housing mandate, the status of income or means tests was discussed, as was the determination of tenant contributions to housing costs in seniors' lodges, the changing role of seniors' lodges, and the income guidelines of rural and native housing projects.

The method of appraisal of the land offered for sale under the restructuring was discussed, as was information concerning the proportion of the land offered. The criteria for deciding which land to sell was also requested, as was the status of any zoning restrictions on that land.

Finally, the role of the CMHC report and the potential use of the CMHC effectiveness audit guidelines for the AMHC were also considered.

Minister of Economic Development and Trade - October 17, 1990

This meeting was attended by the Hon. Peter Elzinga, Minister of Economic Development and Trade; Mr. Al McDonald, Deputy Minister; Mr. Terry Eliuk, Director of Financial Services; and Mr. Laurie Pushor, Executive Assistant to the Minister.

The Minister made a few opening comments on the current projects under the responsibility of Economic Development and Trade that are supported by the Trust Fund. Hon. Mr. Elzinga commented on the recent transfer of jurisdiction over the Rail Hopper Cars, Prince Rupert Grain Terminal and Ridley Grain Ltd. to the Minister of Agriculture. The Minister is responsible for investments in Millar Western Pulp Mill, the Small Business Term Assistance Plan, and indirectly for Vencap Equities Ltd and the Alberta Opportunity Company (AOC).

The Minister and his advisors then responded to inquiries from the Committee. The investments of the Alberta Opportunity Company were reviewed extensively:

the role of the AOC in diversification; the nature of the 1989-90 Trust Fund divestiture of some portfolios under the AOC; the interest rate charged and the losses to AOC in its loan portfolios; restrictions on the size of loans; support from the General Revenue Fund; and the use of potential environmental impact as a criteria for determining AOC investments.

Vencap Equities Ltd. was also discussed. Questions centred around the return on the Trust Fund investment in Vencap; the economic diversification focus of Vencap; seeking an increase in return on the investments of Vencap; the departmental involvement in the decision on loans made through the company; and the possible withdrawal of funds from Vencap to return its mandate to the private sector.

The Small Business Term Assistance Plan, a completed project under the Trust Fund, had repaid its promissory notes to the Fund by March of 1990. Committee members did inquire as to the return on this investment, the success rate of the businesses supported by the plan, and the role of the plan as a supporter of new or expanding businesses.

Other questions covered topics such as the economics of the Millar Western Pulp Mill (to which \$69 million was advanced in 1989-90), the size of the commitment, and the economic spin-offs it may have for the area. Ridley Grain Terminals were reviewed in terms of the cost of hauling freight rather than passengers, the indirect benefits to western farmers, and the forgoing of interest payments in low years.

The general direction of economic diversification through the Fund was also addressed. The criteria for choosing one economic development issue over another, the guidelines for choosing to take an equity position instead of providing a loan for a given initiative, using a company like AOC to match investors with business initiatives, the possibility of involvement in pharmaceutical research, and the status of discussions concerning last year's recommendations were all discussed.

Minister of Health - October 17, 1990

The Hon. Nancy Betkowski, Minister of Health, was joined by Mr. Rheal LeBlanc, Deputy Minister of Health. The Minister made opening comments regarding the completed projects of the Alberta Children's Provincial General Hospital, Applied Heart Disease Research, and the Tom Baker Cancer Centre and Special Services Facility. The only project under the Minister of Health that continued to receive funding in 1989-90 was Applied Cancer Research.

The Minister then responded to questions from the Committee members, concerning the uses and advances achieved by the \$2.7 million Trust Fund investment. New inroads in cancer research and the critical role of the Tom Baker Cancer Centre were also discussed.

On the topic of research in general, issues included: the dollar requirement for a comprehensive health research program; the evaluation of research; the determination of research priorities; the coordination with other research facilities to avoid duplication; departmental control over the particular research initiatives;

the coordination of AIDS and cancer research; the proportion of health care dollars going to research; the effect of funding mechanisms on the accountability of researchers; and the recent interdepartmental report on health research.

The Alberta Children's Provincial General Hospital was also considered, particularly in the areas of the demobilization of the Mobile Team Project, the mandate of the hospital, and the effect on the current hospital if another children's hospital were to be built in the province.

Other general topics of discussion included: the potential funding, initiation and mandate of the proposed Family Life and Drug Abuse Foundation; the effect of Trust Fund health care funding on federal transfer payments; the percent of Alberta users of facilities such as the Walter C. Mackenzie Health Sciences Centre; the cost and demand for home care as opposed to institutional care; the amount of Trust Fund dollars allocated to rural hospital needs; and special health areas such as environmental health and aid to abused women.

Minister of Recreation and Parks - October 23, 1990

The Hon. Steve West, Minister of Recreation and Parks, attended this meeting with Mr. Fred Wilton, Senior Development Consultant, Municipal Recreation/Tourism Areas Program; Mr. Barry Manchak, Section Manager, Community Recreation and Sport Branch, Urban Parks Program; and Mr. Joel Thompson, Executive Assistant to the Minister.

The Minister's opening remarks made reference to programs that are under his Department's responsibility: the Kananaskis Country Recreation projects, the Municipal Recreation/Tourism Areas, Fish Creek Provincial Park, Capital City Recreation Park, and the Urban Parks program.

On the topic of Kananaskis Country, questions covered the areas of: the plan for uses and the future of Kananaskis Country, and whether the public will be involved in developing that plan; environmental impact assessments for further development in the area; whether the General Revenue Fund would take over some of the plans for Kananaskis Country; the possibility of expanding the Kananaskis golf course; and the management and return on the golf course.

The Municipal Recreation/Tourism Areas were also reviewed. Issues raised were: the possibility of continuation of the program; the grants to rural municipalities under the MRTA program compared with those to urban municipalities; the responsibility for maintenance of MRTA sites; the use of grants for projects such as golf courses; the evaluation of the use of and need for the golf course; and the evaluation of the potential competition of MRTA projects with private industry.

Other general topics discussed included: the time frame for the Urban Parks program; the criteria for allocation of urban parks funds to municipalities; access to Fish Creek Park; the request of volunteer organizations to take over some facilities

in Fish Creek Park; cost recoverability of projects; effect of public dollars on the operation of private campgrounds; and the definition of need used to determine investments.

Minister of Technology, Research and Telecommunications - October 24, 1990

The Minister of Technology, Research and Telecommunications, Hon. Fred Stewart, was accompanied to this meeting by Mr. Ken Broadfoot, Deputy Minister; Mr. Don Keech, Executive Director, Financial Projects and Administration; and Ms. Pat Tillenius, Manager, Individual Line Service.

The Minister gave an extensive overview of the 1989-90 activities of the projects under his Department, which include the Alberta Microelectronic Centre (AMC) and the Electronics Test Centre (ETC), and the Alberta Heritage Foundation for Medical Research, as well as the indirect responsibility for the Trust Fund's equity position in Alberta Government Telephones (AGT).

The Minister and his associates then responded to inquiries from the Committee, which focused on the restructuring of AGT. Included in the discussion were: the impact of the sale of AGT on rural Albertans; whether the entire proceeds from the sale would be used to pay off debentures held by the Heritage Fund in AGT; the long-term plan for the Fund's investment in AGT; the status of policy to ensure that problems such as those with the financial management of NovAtel would be made known to potential investors; and the impact on policy such as extended flat-rate calling and the cost of individual line service hook-ups.

Other important questions were raised concerning the Alberta Microelectronic Centre and the Electronics Test Centre: the revenue generated by the ETC and the possible expansion of it; training university students at the AMC; the significance of AMC's newly developed ASIC microchip; networking with other research institutions and assurance that projects were not being duplicated; whether there were patents in place to ensure dividends from research projects undertaken at the AMC and ETC; whether commercialization of research was an objective for AMC and ETC; whether either ETC or AMC could be privatized in the future; and the recovery of investment in AMC and ETC.

Minister of Energy - October 24, 1990

The Hon. Rick Orman was joined by Mr. Luigi Di Marzo, Senior Coordinator, Office of the Deputy Minister; and Mr. Bill Yurko, Chairman and CEO, Alberta Oil Sands Technology and Research Authority. The Minister made opening comments concerning the projects within his portfolio receiving Trust fund monies, including the Alberta Oil Sands Technology and Research Authority (AOSTRA), Southwest Renewable Energy Research Initiative, Syncrude, OSLO and the Lloydminster Bi-Provincial Upgrader.

AOSTRA was a major topic of interest. Points of discussion included: the schedule for return on investment in AOSTRA; the outlook for the future of

AOSTRA; potential spin-off surface projects resulting from AOSTRA projects; possibility of turning over the functions of AOSTRA to the private sector in the future; the summary publication by AOSTRA; and involvement in research on the global greenhouse effect.

The Trust Fund's involvement in the Southwestern Renewable Energy Research project was also reviewed, including the confines of the project, other projects that have applied for renewable energy research dollars, and the possibility of using these research funds for projects such as fuel ethanol. The funding in OSLO was also evaluated, along with the expected return on the investment and the environmental effects. Details of the investment in the Lloydminster Bi-Provincial Upgrader were requested, as was information concerning the payback schedules to the other investors involved, and the future of heavy oil operations in the Lloydminster area. Finally, the Trust Fund's position in Syncrude was clarified, with respect to the return on the Syncrude investment and the possibility of a Syncrude expansion.

Other topics of inquiry included: the cold water extraction method; writing-off funds expended on projects that do not proceed; the return of capital gains to the General Revenue Fund; the job creation resulting from the Underground Test Facility; and the suggestion of a conservation project as a major initiative.

Minister of Public Works, Supply and Services - October 29, 1990

The Minister of Public Works, Supply and Services, the Hon. Ken Kowalski, was accompanied at the meeting by Mr. Ed McLellan, Deputy Minister, and Mr. Ray Reshke, Executive Director, Financial Administration. The Minister made comments concerning the two projects funded in 1989-90: the Capital City Recreation Park project, which received \$800,000; and the Walter C. Mackenzie Health Sciences Centre, which received an additional \$1.6 million in new funds this fiscal year.

Questions focused on the Health Sciences Centre, including: assessment of the investment; a possible review of the success level of the planning of the facility; the role the Department would like to play in the development of such a facility; and the ratio of operative costs to construction costs that would remain after Trust Fund involvement. Also on the topic of the Centre was the possibility of an air ambulance helicopter landing pad.

Minister of Advanced Education - October 30, 1990

The Hon. John Gogo attended this Committee meeting along with the Deputy Minister of Advanced Education, Mrs. Lynne Duncan. The Minister made opening remarks regarding the Alberta Heritage Scholarship Fund, and then he and Mrs. Duncan responded to questions from Committee members.

Several questions involved the determination of criteria for recipients of the Heritage Scholarships. Specific questions included: how decisions are made as to award areas; whether amounts of some awards should be increased or decreased; whether a review had ever been done to determine the current applicability of awards; whether there would be a shift in focus towards merit in terms of overcoming obstacles based on a student's background; and whether the Department could make available statistics as to award recipients' nationality, background and geographic location. In addition, the Minister was asked whether a record was kept of the progress of award recipients in terms of their careers and how they benefitted from the scholarship, and whether the Minister would consider allocating a portion of the scholarship towards a dedicated area, such as scientific development of high-tech post secondary education.

More specific questions concerning some awards were also posed, including the criteria for qualification for the Jimmie Condon award, and how many dollars are available each year under that award. Also, the Minister was asked whether the increase in the number of students qualifying for Rutherford Scholarship was proportional to the increasing student population, and whether there had been research done to assess the categories of programs that students receiving awards were registered in.

Residency requirements were also discussed, in terms of application for the Steinhauer scholarship, whether out-of-province students qualified for scholarships if they attended Alberta universities, and how Alberta benefits from providing scholarships for non-Albertans to study in Alberta.

Finally, questions were raised regarding the general status of the scholarship fund: the current value of the scholarship fund; whether it would be possible to retain the buying power of the scholarship fund while increasing the amount of the Rutherford scholarship; details of write-downs of investments; whether there would be an opportunity for public input into any 10-year review of the scholarship fund; and how many letters of appreciation the Department had received from students.

Minister of Forestry, Lands and Wildlife - October 30, 1990

The Minister of Forestry, Lands and Wildlife, Hon. LeRoy Fjordbotten, sat before the Committee, as members of his Department were seated in the gallery. The Hon. Mr. Fjordbotten made a few opening comments regarding the projects under his jurisdiction within the Trust Fund, including the Pine Ridge Forest Nursery, grazing reserves development, and the Maintaining Our Forests program, none of which received funding in 1989-90.

The Minister then responded to questions from the Committee. On the issue of reforestation: potential uses of Heritage funds in Alberta's reforestation activities; whether a section of land was preserved in each reforestation area to use for comparison; whether funds under Maintaining Our Forests program were being used to aid native Indian groups in reforestation of their lands; whether tougher

reforestation standards would place demands on the Pine Ridge Forest Nursery; survival rate of seedlings at the nursery; and the reason for government subsidization of seedling costs to industry.

The grazing reserves development program did not receive any funding in 1989-90, but information was requested concerning the deficit situation of the program; whether the Minister has contemplated additions to the grazing reserve program; and whether the Minister felt that money from grazing leaseholders should be used to fund grazing reserves, as opposed to using Heritage funds for that purpose.

Other questions covered the areas of: whether the Minister had accessed any federal funds in the previous year under Bill C-29; effectiveness of new technology to aid early detection of forest fires; research into better genetic management for disease control in Alberta forests; and the status of the proposed regional container tree nursery in northwestern Alberta.

**Minister of Agriculture and Associate Minister of Agriculture -
October 31, 1990**

Appearing at this meeting along with the Minister of Agriculture, Hon. Ernie Isley, and Hon. Shirley McClellan, Associate Minister of Agriculture, were Mr. Gerhardt Hartman, Manager, Irrigation Secretariat; Mr. Brian Colgan, Director, Irrigation and Resource Management; and Dr. Yilma Telkemariam, Farming for the Future program.

Hon. Mr. Isley commented on the Trust Fund projects under his jurisdiction (the Food Processing Development Centre and the Agricultural Development Centre) and the Hon. Shirley McClellan introduced the projects that are under her jurisdiction (Farming for the Future, irrigation rehabilitation and expansion, and private irrigation and water management).

The irrigation projects were central in the discussion. Questions involved the issues of: productivity that could be expected if irrigation systems were developed in central and southern Alberta; competition between dryland farms and irrigated farms; the future of the irrigation rehabilitation program; future of the cost-sharing arrangement for the rehabilitation program; progress of expansion of the irrigation system in the Medicine Hat area; long-term needs and goals for water management in southern Alberta; status of plans to assist farmers with irrigation in areas of the province other than southern Alberta; whether water was being metered within the headworks system and whether users are charged differently due to the product grown; and the desalination of water returning to the river after irrigation.

The Agricultural Development Corporation (ADC) was also discussed. Inquiries concerned the vendor financing program and its financial impact, the number of land sections disposed of during the previous year, and the total number of ADC foreclosures, quitclaims and bankruptcies. The accounting used in reporting interest income to Heritage Fund from ADC, whether consideration was being given to privatizing ADC in the future, and whether the Minister would sell off assets of ADC, were also discussed. Finally, the organizational changes within ADC, the

utilization of the appeals committee, the percentage of loans going to northern Alberta, and whether consideration was given to requests for loans on marginal farmland in northern Alberta were reviewed.

The Farming for the Future program was discussed in terms of its cost, the technology transfer of applicable research to farmers, whether research into using a by-product of the pulping process as fertilizer would be of interest to this program, and whether consideration had been given to amalgamating this program into the Agricultural Research Institute.

Questions concerning how ongoing costs of the Food Processing Development Centre were paid, whether firms paid for the service, what types of products had been developed, the percentage of utilization and whether the Centre may be privatized eventually, were also raised.

Other queries included: the efforts being made to develop more environmentally defensible chemical and fertilizing techniques; consideration to retaining rather than reclaiming wetlands; consideration of encouraging diversification by assisting individual farms with such plans; percentage of beginner farmers and average age of farmers; funds available for research into chemical free farming; and the direction of agricultural initiatives with respect to market demand.

Minister of Occupational Health and Safety - October 31, 1990

Accompanying the Hon. Peter Trynchy to this meeting were: Dr. Lynn Hewitt, Director, Planning and Research; Dr. Hugh Walker, Managing Director, Occupational Health and Safety; Ms. Hilary Lynas, Occupational Health and Safety Heritage Grant Program Administrator; Mr. Frank Testin, Occupational Health and Safety Heritage Grant Program Research Officer; and Ms. Marlene Gibb, Executive Assistant to the Minister.

The Minister gave some comments concerning the Occupational Health and Safety Heritage Grant Program, and the members followed with several specific questions concerning the program. The topics included: an update of the progress of the Committee's recommendation that the program coordinate with AADAC in research into the use of alcohol and drugs in the workplace; the three-year funding arrangement for the program; the source of \$26,000 recovered from the program; criteria for deciding on grants under this program; and priorities for awarding grants.

There were also questions on the safety of particular industries, and the role of Occupational Health and Safety research in various areas. On the topic of farming in particular, questions covered the Pesticide Safety for Industrial Applicators program; whether the Department would take steps to ensure that herbicides and pesticides were being stored safely; whether an educational tool designed to display to farmers the effect of chemicals on the environment had been considered; whether there was a disparity of funds allocated to farm safety compared to other industries; and whether the decrease in claim rates for various industries was due to a decrease in accidents or to a decrease in employment in these areas.

On worksite safety in general, Committee members asked about: the responsibility of the employee on the work site; enforcing of safety rules on employees and consequences for non-conformity; policy decisions with regard to inspectors and deterrent fines; studies concerning which workplaces might need to have better control on ways of reducing injuries; and rewards to employers for accident prevention records.

The Safe Communities Program also received some mention, such as the level of interest of urban centres in the program, and how Hanna became an official Safe Community in Alberta.

Other topics of discussion included: whether there had been statistics indicating the extent of drug and alcohol abuse in the workplace; whether a program similar to the Heroes program could be incorporated into the adult program for the workplace; research to determine whether the incidence of cancer increased in people living close to power lines; whether the Department was taking the place of personal initiatives in safety; whether Heroes participants were paid or volunteer; action taken by the Minister on occupational health and safety concerns; studies concerning the psychology of those who are accident-prone; whether corporate funding was secured to defray the costs of training videos; and whether videotapes for distance learning were used in provincial educational consortiums.

Premier - November 1, 1990

Accompanying the Hon. Don Getty, Premier, were Mr. Gordon Young, Director of Research and Special Projects, Office of the Premier and Ms. Dusty Vida, Researcher, Office of the Premier.

The Premier was asked to respond to inquiries concerning several of the Alberta Crown corporations supported by the Trust Fund. These included: whether restructuring of Alberta Crown corporations would be a trend; whether it was envisioned that projects such as Syncrude, AOSTRA, and the Food Processing Development Centre would eventually be sold to the private sector; whether the Premier would consider selling off the assets of the Agricultural Development corporation and Alberta Opportunity Company; details of the \$42 million investment in Alberta Energy Company; status of federal government in the OSLO project; and whether taking an equity position in some projects was considered a drawdown on the capital division of the Heritage Fund.

On the mandate of the Heritage Fund, Committee members asked questions concerning whether the Premier felt that the Heritage Fund was meeting its objective of diversifying the economy; whether there would be experiments done in northern Alberta on new ways to diversify the farm sector; whether a specific economic diversification division would be created within the Heritage Fund; the degree to which the Fund should be directing its investments towards environmentally friendly projects; and whether a comprehensive recycling program might be financed through the Heritage Fund.

Members also asked about the direction of specific programs, such as the Alberta Family Life and Drug Abuse Foundation and the land banking program.

Finally, Committee members posed various questions on the general administration and future of the Fund, including: reaffirmation of the determination of the government to maintain the strength of the Heritage Fund; the possibility of an independent body to oversee the Trust Fund; and whether the process of decision making and reinvestment of the Heritage Fund would be altered.

Alberta Heritage Foundation for Medical Research - November 1, 1990

On behalf of the Heritage Foundation for Medical Research, Dr. Matthew Spence, President, and Mr. Alvin Libin, Chairman, appeared before the Committee.

The Committee members had questions concerning some specific research areas. Dr. Spence and Mr. Libin responded to requests for information concerning: the identification through research of a condition which accounts for one-quarter of all hypertension; the future of genetic engineering; and the possibility of diverting funds towards epidemiological outcome analysis studies, medical ethics, and the physical and psychological effects of drugs.

Additional topics included: the process of transferring funds from the Foundation endowment to its budget; how research priorities are established; the process of technology transfer from research to commercial applications; private funding options; whether an information base exists and is accessible to the Foundation; whether the federal government had been approached for funds; whether efforts had been made to derive income through patents; and whether additional endowment funding would allow the Foundation to undertake broader health care research.

VI. RECOMMENDATIONS OF THE STANDING COMMITTEE ON THE ALBERTA HERITAGE SAVINGS TRUST FUND

A most important function of the Standing Committee is the formulation of recommendations concerning the investment of Alberta Heritage Savings Trust Fund money. Several meetings centered on this responsibility.

Proposals for recommendations were submitted by individual Standing Committee members for consideration by the Standing Committee as a whole. The proposals were moved, debated and voted on. Forty-five were moved and, after careful consideration and deliberation, the Standing Committee approved the following three recommendations for inclusion in this report. The Hansard transcript of the Standing Committee's proceedings on December 18, 1990 contains the recommendations brought forward and the Chairman's determination of the vote with respect to each recommendation.

RECOMMENDATIONS

The Standing Committee on the Alberta Heritage Savings Trust Fund Act recommends as follows:

1. THAT a new division be created under the Alberta Heritage Savings Trust Fund, the Environmental Investment Division, and that investments from this division be considered for projects that will provide short and long-term benefits to the people of Alberta, through enhancement of our environment and through reduction of pollution.
2. THAT, before any consideration be given in the future to renewing the Occupational Health and Safety Heritage Grant Program, all past approved projects be reviewed as to the true beneficial impact on individuals and society at large, so as to gauge the actual productive value to taxpayers.
3. THAT the legislation governing the operation of the Alberta Heritage Foundation for Medical Research be amended to allow the Foundation to pursue private-sector funding to supplement its research funding initiatives.

VII. PROVINCIAL TREASURER'S RESPONSES TO THE RECOMMENDATIONS OF THE STANDING COMMITTEE ON THE ALBERTA HERITAGE SAVINGS TRUST FUND ACT, 1990-1991

- 1. THAT a new division be created under the Alberta Heritage Savings Trust Fund, the Environmental Investment Division, and that investments from this division be considered for projects that will provide short and long-term benefits to the people of Alberta, through enhancement of our environment and through reduction of pollution.**

Investments which will enhance the environment or which will reduce pollution may currently be made under the Capital Projects Division or, if they will earn a reasonable return, under the Alberta Investment Division. Therefore, a separate division for these purposes is not necessary.

- 2. THAT, before any consideration be given in the future to renewing the Occupational Health and Safety Heritage Grant Program, all past approved projects be reviewed as to the true beneficial impact on individuals and society at large, so as to gauge the actual productive value to taxpayers.**

This program was evaluated externally in 1986 based on the first 101 projects completed. The evaluators found that the program was efficiently administered and had succeeded in developing needed resources in safety training and promotion, and applied research. A 1990 evaluation, conducted on a sample of 18 recent projects, supported these conclusions. Any approval of a multi-year extension to the program would include a major evaluation component which would focus on the results and effectiveness of projects in providing benefits to Albertans.

- 3. THAT the legislation governing the operation of the Alberta Heritage Foundation for Medical Research be amended to allow the Foundation to pursue private-sector funding to supplement its research funding initiatives.**

The Heritage Foundation for Medical Research helps maintain Alberta's leadership in several areas of medical research. The Government will review this recommendation in light of the Foundation's mandate, to determine if private sector funding would further enhance the Foundation's effectiveness.

In reviewing the recommendation, it is noted that the Foundation pursues a balanced long-term program of medical research. Private sector funding could assist the Foundation in further realizing its goals and objectives. This would require the Foundation to be guarded in its approach to the application of private sector funds, to ensure that they do not divert the Foundation's energies away from its balanced long-term research program.

A further consideration is the potential for the addition of private sector research funds to Alberta's universities through the Foundation. The prospect of private sector funding to the Foundation would be welcomed as long as it did not result in the diversion of research funds away from the province's universities.

VIII. SCHEDULE OF STANDING COMMITTEE MEETINGS, 1990-91

<u>Meeting Date</u>	<u>Appearance/Topic</u>
September 12, 1990	Investigative Visit to Millar Western Pulp Mill
September 13-14, 1990	Investigative Visit to Southern Irrigation Districts
September 19-20, 1990	Investigative Visit to Syncrude Site and AO STRA Underground Test Facility
October 9, 1990	Organizational Meeting
October 10, 1990	Hon. Mr. Johnston Provincial Treasurer
October 10, 1990	Mr. D. D. Salmon Auditor General
October 11, 1990	Hon. Mr. Klein Environment
October 16, 1990	Hon. Mr. Speaker Municipal Affairs
October 17, 1990	Hon. Mr. Elzinga Economic Development and Trade
October 17, 1990	Hon. Mrs. Betkowski Health
October 23, 1990	Hon. Dr. West Recreation and Parks
October 24, 1990	Hon. Mr. Stewart Technology, Research and Telecommunications
October 24, 1990	Hon. Mr. Orman Energy
October 29, 1990	Hon. Mr. Kowalski Public Works, Supply and Services
October 30, 1990	Hon. Mr. Gogo Advanced Education

October 30, 1990	Hon. Mr. Fjordbotten Forestry, Lands and Wildlife
October 31, 1990	Hon. Mr. Isley/Hon. Mrs. McClellan Agriculture
October 31, 1990	Hon. Mr. Trynchy Occupational Health and Safety
November 1, 1990	Hon. Mr. Getty Premier
November 1, 1990	Alberta Heritage Foundation for Medical Research
November 13, 1990	Discussion of Recommendations
November 14, 1990	Discussion of Recommendations
November 15, 1990	Discussion of Recommendations
December 18, 1990	Voting on Recommendations
March 13, 1991	Approval of Committee Report

APPENDIX I

Asset Level of the Alberta Heritage Savings Trust Fund 1976-77 to 1989-90

Fiscal Year	Assets (\$ billion)
1976-77	\$ 2.218
1977-78	\$ 3.374
1978-79	\$ 4.705
1979-80	\$ 6.419
1980-81	\$ 8.579
1981-82	\$11.009
1982-83	\$13.002
1983-84	\$13.711
1984-85	\$14.436
1985-86	\$15.118
1986-87	\$15.375
1987-88	\$15.320
1988-89	\$15.325
1989-90	\$15.334